

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Thomas Wieseler	President	2004
Todd Tripp	Vice President	2003
Eldean Borg	Board Member	2004
Ann Stoner	Board Member	2005
Bob Penn	Board Member	2005
Janet Griffith	Board Member	2004
Rebecca Brandt	Board Member	2003
<u>Board of Education</u>		
(After September 2003 Election)		
Thomas Wieseler	President	2004
Todd Tripp	Vice President	2006
Eldean Borg	Board Member	2004
Ann Stoner	Board Member	2005
Bob Penn	Board Member	2005
Janet Griffith	Board Member	2004
Rebecca Brandt	Board Member	2006
<u>School Officials</u>		
Jeff Schwiebert	Superintendent	2004
Matt Burke	District Secretary/Treasurer	2004
Guy Booth	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Mount Vernon Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Mount Vernon Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2004 on our consideration of Mount Vernon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 48 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Vernon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
August 11, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,399,850 in fiscal 2003 to \$7,363,295 in fiscal 2004, while General Fund expenditures increased from \$7,133,324 in fiscal 2003 to \$7,481,663 in fiscal 2004. The District's General Fund balance decreased from \$1,494,324 in fiscal 2003 to \$1,376,721 in fiscal 2004, a 9% decrease.
- The decrease in General Fund revenues was primarily attributable to a decrease in state foundation aid revenue and a decrease in the instructional support surtax revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and the hiring of new teaching positions. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$31,346 in fiscal 2003 to \$24,642 in fiscal 2004.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mount Vernon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Vernon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The Fiduciary Fund statements provide financial information about activities for which Mount Vernon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Mount Vernon Community School District Annual Financial Report***

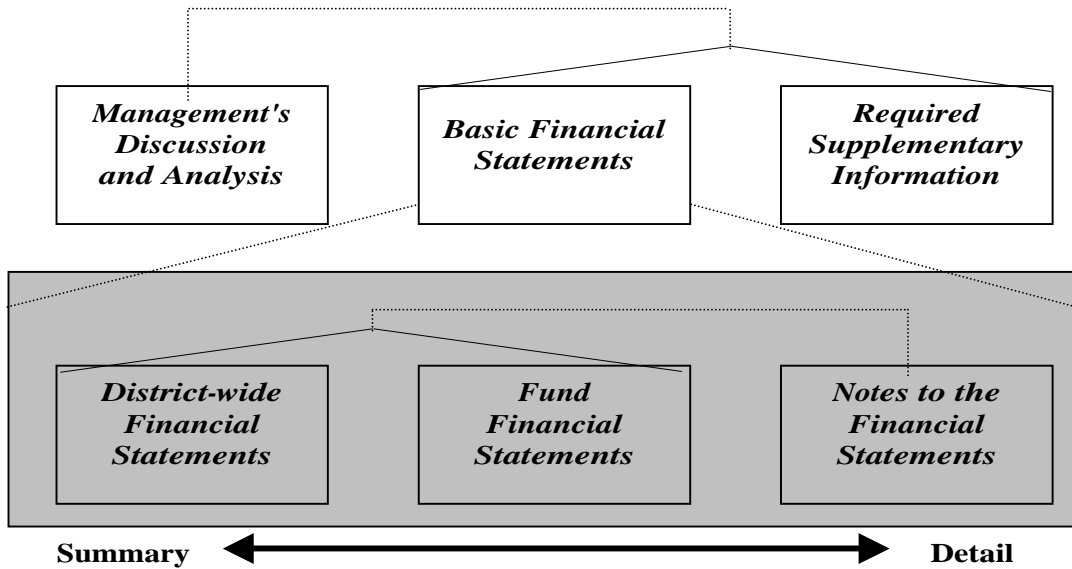


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and daycare	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Daycare Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- **Private-Purpose Trust Fund** – The District accounts for outside donations for scholarships for individual students in this fund.
- **Agency Funds** – These are funds through which the District administers and accounts for employee wellness program funds.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004. Similar amounts at June 30, 2003 are not available for comparison purposes because fiscal 2004 is the first year in which the financial statements were changed for GASB 34.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>			
	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Current and other assets	\$ 14,227	\$ 53	\$ 14,280
Capital assets	3,231	13	3,244
Total assets	17,458	66	17,524
Long-term liabilities	9,195	-	9,195
Other liabilities	3,242	6	3,248
Total liabilities	12,437	6	12,443
Net assets:			
Invested in capital assets, net of related debt	2,936	13	2,949
Restricted	513	-	513
Unrestricted	1,572	47	1,619
Total net assets	\$ 5,021	\$ 60	\$ 5,081

The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

### Governmental Activities

Revenues for governmental activities were \$8,353,980 and expenses were \$7,939,614.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-4</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(Expressed in Thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 5,258	\$ 3,698
Support services	2,201	2,136
Non-instructional programs	1	1
Other expenses	480	196
Totals	<u>\$ 7,940</u>	<u>\$ 6,031</u>

- The cost financed by users of the District's programs was \$1,215,930.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$692,873.
- The net cost of governmental activities was financed with \$2,581,563 in property and other taxes and \$3,673,293 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$436,915 and expenses were \$457,228. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the School Board approved an increase in meal prices for the 2004-2005 fiscal year to offset increasing food prices in the Nutrition Program as well as replacing obsolete kitchen equipment in the main production kitchen in the high school. This for the first time in five years that prices had been increased.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Mount Vernon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$10,782,763, well above last year's ending fund balances of \$1,830,078. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to approximately \$9 million of unexpended general obligation bond proceeds received in fiscal 2004.

### Governmental Fund Highlights

- The District's General Fund financial position deteriorated in fiscal 2004 as a result of many factors. For the first time in over ten years, the District experienced a decrease in total enrollment. The decreased enrollment caused the District's revenue funding to remain relatively stagnant when compared to the previous fiscal year 2003. The decrease in revenues along with the District's increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- General Fund revenues decreased from \$7,399,850 in fiscal 2003 to \$7,363,295 in fiscal 2004, while General Fund expenditures increased from \$7,133,324 in fiscal 2003 to \$7,481,663 in fiscal 2004. The District's General Fund balance decreased from \$1,494,324 in fiscal 2003 to \$1,376,721 in fiscal 2004, a 9% decrease.
- The decrease in General Fund revenues in fiscal 2004 was primarily attributable to a decrease in state foundation aid revenue and a decrease in the instructional support surtax revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and the hiring of new teaching positions. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- The District received \$9,009,907 from the sale of general obligation bonds issued during fiscal 2004. The proceeds from these bonds are being held in the Capital Projects Fund for the construction of a new high school building west of the current high school building and the remodeling of the current high school building into a middle school. These construction projects are expected to go to bid with contractors starting in March, 2005 with construction completed by August, 2006. The Capital Projects Fund balance increased from \$5,995 in fiscal 2003 to \$8,991,771 in fiscal 2004.
- The District was awarded a \$500,000 Iowa Demonstration Construction Grant for the construction of the new high school building.
- Fiscal 2004 was the final year for general obligation bond repayments for the debt issued for the construction of the 1971 high school building and subsequent phased additions to complete the building.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$208,301 in fiscal 2003 to \$299,749 in fiscal 2004. While revenues remained approximately the same, the District continued to reduce spending from the PEEL Fund in order to improve the financial condition of the fund for the anticipated high school and middle school construction projects.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$60,116 at June 30, 2003 to \$37,941 at June 30, 2004, representing a decrease of approximately 37%. For fiscal 2004, the District revamped all the breakfast and lunch menus as well as the preparation of the related food to provide a more nutritious meal for students. In addition, the District experienced increased food purchase prices throughout the school year. Although the District experienced a 16% increase from increased meals sold as a result of the changes, the District experienced a 42% increase in the cost of food due to the purchase of more nutritious food and the related increases in food prices.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Mount Vernon Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the nutrition program and changes in purchased services.

The District's receipts were \$71,850 more than budgeted receipts, a variance of 1%. Total expenditures were \$219,271 less than budgeted, a variance of 2%.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instruction programs area by \$14,870 due to higher than usual disbursements paid at year-end in the nutrition fund without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$3.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$207,534.

The original cost of the District's capital assets was \$6.4 million primarily in the governmental activities. The District's construction in progress totaled \$51,079 at June 30, 2004, and represents the beginning of construction of the new high school building.

<b>Figure A-5</b>		
<b>Capital Assets, net of Depreciation</b>		
<b>(Expressed in Thousands)</b>		
Governmental	Business type	Total
Activities	Activities	District
June 30,	June 30,	June 30,
2004	2004	2004
Land	\$ 298	\$ - \$ 298
Construction in progress	51	- 51
Buildings	2,527	- 2,527
Improvements other than buildings	67	- 67
Furniture and equipment	288	13 301
Totals	\$ 3,231	\$ 13 \$ 3,244

## Long-Term Debt

At June 30, 2004, the District had \$9,195,000 in general obligation debt and capital loan notes outstanding. (See Figure A-6) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In March 2004, the District's voters authorized the issuance of \$8,900,000 in general obligation bonds to pay for construction of a new high school building. Planning for the project started in fiscal 2004 and the bonds were sold during fiscal 2004.

<b>Figure A-6</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$ 8,900	\$ 120	7316%
Capital Loan Notes	295	505	-42%
Totals	9,195	625	1371%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for the current fiscal year budget, the District expects to maintain enrollment or have a slight increase in enrollment due to a new housing development in progress within the District.
- Four general contractors bid on the construction of the new high school building with the low bid by Kleiman Construction of Cedar Rapids, Iowa. Construction of the building will begin in April, 2005 with expected completion in August, 2006.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matt Burke, School District Secretary/Treasurer, Mount Vernon Community School District, 525 Palisades Road, Mount Vernon, Iowa, 52314.

## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 11,264,166	\$ 49,752	\$ 11,313,918
Receivables:			
Property tax:			
Current year	18,699	-	18,699
Succeeding year	2,575,993	-	2,575,993
Income surtax	236,049	-	236,049
Due from other governments	131,764	-	131,764
Inventories	-	3,193	3,193
Capital assets, net of accumulated depreciation (note 4)	3,231,153	13,054	3,244,207
Total assets	17,457,824	65,999	17,523,823
Liabilities			
Accounts payable	53,572	-	53,572
Salaries and benefits payable	578,294	2,005	580,299
Accrued interest payable	33,948	-	33,948
Deferred revenue:			
Succeeding year property tax	2,575,993	-	2,575,993
Other	-	4,187	4,187
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	290,000	-	290,000
Notes payable	220,000	-	220,000
Portion due after one year:			
Bonds payable	8,610,000	-	8,610,000
Notes payable	75,000	-	75,000
Total liabilities	12,436,807	6,192	12,442,999



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,936,153	\$ 13,054	\$ 2,949,207
Restricted for:			
Phase III	8,946	-	8,946
Management levy	67,938	-	67,938
Physical plant and equipment levy	299,749	-	299,749
Other special revenue purposes	44,675	-	44,675
Capital Projects	91,771	-	91,771
Unrestricted	<u>1,571,785</u>	<u>46,753</u>	<u>1,618,538</u>
Total net assets	<u>\$ 5,021,017</u>	<u>\$ 59,807</u>	<u>\$ 5,080,824</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,610,503	\$ 775,396	\$ 269,307	\$ -
Special instruction	990,017	109,545	100,959	-
Other instruction	657,861	296,715	8,194	-
	<u>5,258,381</u>	<u>1,181,656</u>	<u>378,460</u>	<u>-</u>
Support services:				
Student services	161,537	-	8,174	-
Instructional staff services	271,406	-	18,867	-
Administration services	744,773	-	1,000	-
Operation and maintenance of plant services	650,278	4,810	-	-
Transportation services	372,705	29,464	2,573	-
	<u>2,200,699</u>	<u>34,274</u>	<u>30,614</u>	<u>-</u>
Non-instructional programs	<u>705</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Long-term debt interest and fiscal charges	53,518	-	-	-
AEA flowthrough	283,799	-	283,799	-
Depreciation (unallocated) *	142,512	-	-	-
	<u>479,829</u>	<u>-</u>	<u>283,799</u>	<u>-</u>
Total governmental activities	7,939,614	1,215,930	692,873	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	426,219	300,310	102,907	-
Daycare operations	31,009	32,738	-	-
	<u>457,228</u>	<u>333,048</u>	<u>102,907</u>	<u>-</u>
Total	\$ 8,396,842	\$ 1,548,978	\$ 795,780	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,565,800)	\$ -	\$ (2,565,800)
(779,513)	-	(779,513)
(352,952)	-	(352,952)
(3,698,265)	-	(3,698,265)
(153,363)	-	(153,363)
(252,539)	-	(252,539)
(743,773)	-	(743,773)
(645,468)	-	(645,468)
(340,668)	-	(340,668)
(2,135,811)	-	(2,135,811)
(705)	-	(705)
(53,518)	-	(53,518)
-	-	-
(142,512)	-	(142,512)
(196,030)	-	(196,030)
(6,030,811)	-	(6,030,811)
-	(23,002)	(23,002)
-	1,729	1,729
-	(21,273)	(21,273)
(6,030,811)	(21,273)	(6,052,084)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Special item - premium on sale of bonds

Total general revenues and special items

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,923,878	\$ -	\$ 1,923,878
125,185	-	125,185
290,170	-	290,170
236,049	-	236,049
6,281	-	6,281
3,673,293	-	3,673,293
52,747	960	53,707
27,667	-	27,667
6,335,270	960	6,336,230
109,907	-	109,907
6,445,177	960	6,446,137
414,366	(20,313)	394,053
4,606,651	80,120	4,686,771
\$ 5,021,017	\$ 59,807	\$ 5,080,824

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and pooled investments	\$ 1,811,110	\$ 900	\$ 9,042,850	\$ 409,306	\$ 11,264,166
Receivables:					
Property tax:					
Current year	14,634	1,009	-	3,056	18,699
Succeeding year	1,615,887	619,760	-	340,346	2,575,993
Income surtax	236,049	-	-	-	236,049
Due from other governments	131,764	-	-	-	131,764
<b>Total assets</b>	<b>\$ 3,809,444</b>	<b>\$ 621,669</b>	<b>\$ 9,042,850</b>	<b>\$ 752,708</b>	<b>\$ 14,226,671</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,493	\$ -	\$ 51,079	\$ -	\$ 53,572
Salaries and benefits payable	578,294	-	-	-	578,294
Deferred revenue:					
Succeeding year property tax	1,615,887	619,760	-	340,346	2,575,993
Other	236,049	-	-	-	236,049
<b>Total liabilities</b>	<b>2,432,723</b>	<b>619,760</b>	<b>51,079</b>	<b>340,346</b>	<b>3,443,908</b>
<b>Fund balance:</b>					
Reserved for:					
Phase III	8,946	-	-	-	8,946
Debt service	-	1,909	-	-	1,909
Unreserved:					
Reported in nonmajor Special					
Revenue Funds	-	-	-	412,362	412,362
Designated for instructional					
support	766,380	-	-	-	766,380
Designated for cash flow	566,425	-	-	-	566,425
Undesignated	34,970	-	8,991,771	-	9,026,741
<b>Total fund balances</b>	<b>1,376,721</b>	<b>1,909</b>	<b>8,991,771</b>	<b>412,362</b>	<b>10,782,763</b>
<b>Total liabilities and fund</b>					
<b>  balances</b>	<b>\$ 3,809,444</b>	<b>\$ 621,669</b>	<b>\$ 9,042,850</b>	<b>\$ 752,708</b>	<b>\$ 14,226,671</b>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2004

Total fund balances of governmental funds	\$ 10,782,763
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,231,153
Other long-term assets, including income surtax receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	236,049
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(33,948)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,195,000)</u>
Net assets of governmental activities	<u><u>\$ 5,021,017</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,031,593	\$ 125,107	\$ 6,281	\$ 377,928	\$ 2,540,909
Tuition	884,941	-	-	-	884,941
Other	77,760	713	20,667	303,788	402,928
State sources	4,226,709	78	-	246	4,227,033
Federal sources	142,292	-	-	-	142,292
Total revenues	7,363,295	125,898	26,948	681,962	8,198,103
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,670,409	-	-	18,864	3,689,273
Special instruction	990,017	-	-	-	990,017
Other instruction	363,573	-	-	292,990	656,563
	5,023,999	-	-	311,854	5,335,853
Support services:					
Student services	167,541	-	-	841	168,382
Instructional staff services	270,627	-	-	779	271,406
Administration services	736,845	-	-	7,928	744,773
Operation and maintenance plant services	616,585	-	-	36,693	653,278
Transportation services	382,267	-	-	12,544	394,811
	2,173,865	-	-	58,785	2,232,650
Non-instructional programs	-	-	-	705	705
Other expenditures:					
Facilities acquisition	-	-	51,079	-	51,079
Long term debt:					
Principal	-	330,000	-	-	330,000
Interest and fiscal charges	-	22,004	-	-	22,004
AEA flowthrough	283,799	-	-	-	283,799
	283,799	352,004	51,079	-	686,882
Total expenditures	7,481,663	352,004	51,079	371,344	8,256,090
Excess (deficiency) of revenues over (under) expenditures	(118,368)	(226,106)	(24,131)	310,618	(57,987)



MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Sale of equipment	\$ 765	\$ -	\$ -	\$ -	765
Interfund transfers in (note 3)	-	226,064	-	20,776	246,840
Interfund transfers out (note 3)	-	(20,776)	-	(226,064)	(246,840)
General obligation bonds issued	-	-	8,900,000	-	8,900,000
Premium on sale of bonds	-	-	109,907	-	109,907
Total other financing sources (uses)	765	205,288	9,009,907	(205,288)	9,010,672
Net change in fund balances	(117,603)	(20,818)	8,985,776	105,330	8,952,685
Fund balances beginning of year	1,494,324	22,727	5,995	307,032	1,830,078
Fund balances end of year	\$ <u>1,376,721</u>	\$ <u>1,909</u>	\$ <u>8,991,771</u>	\$ <u>412,362</u>	\$ <u>10,782,763</u>

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 8,952,685

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 227,519	
Depreciation expense	<u>(203,319)</u>	24,200

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 38,995

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 330,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (31,514)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (8,900,000)

Change in net assets of governmental activities \$ 414,366

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

June 30, 2004

	Enterprise Funds		
	School Nutrition	Nonmajor- Daycare	Total
Assets			
Cash and cash equivalents	\$ 27,486	\$ 22,266	\$ 49,752
Inventories	3,193	-	3,193
Capital assets, net of accumulated depreciation	13,054	-	13,054
Total assets	<u>43,733</u>	<u>22,266</u>	<u>65,999</u>
Liabilities			
Salaries and benefits payable	1,605	400	2,005
Deferred revenue	4,187	-	4,187
Total liabilities	<u>5,792</u>	<u>400</u>	<u>6,192</u>
Net Assets			
Invested in capital assets	13,054	-	13,054
Unrestricted	24,887	21,866	46,753
Total net assets	<u>\$ 37,941</u>	<u>\$ 21,866</u>	<u>\$ 59,807</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Enterprise Funds		
	School Nutrition	Nonmajor- Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 300,310	\$ 32,738	\$ 333,048
Operating expenses:			
Non-instructional programs:			
Food and community services operations:			
Salaries	125,570	17,340	142,910
Benefits	38,509	3,872	42,381
Purchased services	989	-	989
Supplies	255,518	9,797	265,315
Small equipment	1,418	-	1,418
Depreciation	4,215	-	4,215
	426,219	31,009	457,228
Operating income (loss)	(125,909)	1,729	(124,180)
Non-operating revenues:			
Interest on investments	827	133	960
State sources	5,166	-	5,166
Federal sources	97,741	-	97,741
Total non-operating revenues	103,734	133	103,867
Change in net assets	(22,175)	1,862	(20,313)
Net assets beginning of year	60,116	20,004	80,120
Net assets end of year	\$ 37,941	\$ 21,866	\$ 59,807

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Enterprise Funds		
	School Nutrition	Nonmajor- Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 301,217	\$ -	\$ 301,217
Cash received from miscellaneous operating activities	1,435	32,738	34,173
Cash payments to employees for services	(164,386)	(20,812)	(185,198)
Cash payments to suppliers for goods or services	(248,260)	(9,797)	(258,057)
Net cash provided by (used in) operating activities	(109,994)	2,129	(107,865)
Cash flows from non-capital financing activities:			
State grants received	5,166	-	5,166
Federal grants received	86,774	-	86,774
Net cash provided by non-capital financing activities	91,940	-	91,940
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(4,562)	-	(4,562)
Cash flows from investing activities:			
Interest on investments	827	133	960
Net increase (decrease) in cash and cash equivalents	(21,789)	2,262	(19,527)
Cash and cash equivalents beginning of year	49,275	20,004	69,279
Cash and cash equivalents end of year	\$ 27,486	\$ 22,266	\$ 49,752

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Enterprise Funds		
	School Nutrition	Nonmajor- Daycare	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (125,909)	\$ 1,729	\$ (124,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,215	-	4,215
Commodities used	10,967	-	10,967
(Increase) in inventories	(1,203)	-	(1,203)
(Decrease) in accounts payable	(99)	-	(99)
Increase (decrease) in salaries and benefits payable	(307)	400	93
Increase in deferred revenues	2,342	-	2,342
Net cash provided by (used in) operating activities	\$ <u>(109,994)</u>	\$ <u>2,129</u>	\$ <u>(107,865)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$10,967 of federal commodities.

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2004

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>843</u>	\$ <u><u>2,529</u></u>
Liabilities:		
Other payables	<u>-</u>	\$ <u><u>2,529</u></u>
Net assets:		
Reserved for scholarships	\$ <u><u>843</u></u>	

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest	<u>18</u>	
Total additions	<u>1,018</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>1,210</u>
Change in net assets		(192)
Net assets beginning of year		<u>1,035</u>
Net assets end of year	\$	<u><u>843</u></u>
See notes to financial statements.		



# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 1. Summary of Significant Accounting Policies

Mount Vernon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Vernon, Iowa, and the predominate agricultural territory in Linn, Jones, and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Mount Vernon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Mount Vernon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

The District appoints the members of the Mount Vernon School Foundation Board, which is considered a related organization.

#### B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2004 will not be received by the District until the fiscal year ending June 30, 2005. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated Fund Balance – The District has designated a portion of its fund balance for cash flow and instructional support.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$13,171 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

### Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 226,064
Special Revenue:		
Physical Plant and		
Equipment Levy	Debt Service	<u>20,776</u>
Total		\$ <u><u>246,840</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 298,137	* \$ -	\$ -	\$ 298,137
Construction in progress	-	51,079	-	51,079
Total capital assets not being depreciated	<u>298,137</u>	<u>51,079</u>	<u>-</u>	<u>349,216</u>
Capital assets being depreciated:				
Buildings	4,559,697	* 7,435	-	4,567,132
Improvements other than buildings	527,308	* -	-	527,308
Furniture and equipment	882,623	* 169,005	70,719	980,909
Total capital assets being depreciated	<u>5,969,628</u>	<u>176,440</u>	<u>70,719</u>	<u>6,075,349</u>
Less accumulated depreciation for:				
Buildings	1,951,415	88,287	-	2,039,702
Improvements other than buildings	448,837	11,477	-	460,314
Furniture and equipment	660,560	103,555	70,719	693,396
Total accumulated depreciation	<u>3,060,812</u>	<u>203,319</u>	<u>70,719</u>	<u>3,193,412</u>
Total capital assets being depreciated, net	<u>2,908,816</u>	<u>(26,879)</u>	<u>-</u>	<u>2,881,937</u>
Governmental activities capital assets, net	<u>\$ 3,206,953</u>	<u>\$ 24,200</u>	<u>\$ -</u>	<u>\$ 3,231,153</u>

\* = In preparation for implementing Governmental Accounting Standards Board Statement No. 34, the District has increased its capitalization limit to \$2,500. The effect of this change included the removal of \$1,397,428 of items previously classified as furniture and equipment. In addition, \$39,678 of items previously classified as furniture and equipment has been reclassified as buildings and \$49,469 of items previously classified as furniture and equipment has been reclassified as improvements other than buildings. The following have also been adjusted to accurately reflect capital assets which were not included in last years reported balances: land increased by \$10,802, buildings increased by \$18,710, and improvements other than buildings increased by \$113,629. The beginning balances were adjusted to reflect these changes.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 24,806	\$ 4,562	\$ 4,028	\$ 25,340
Less accumulated depreciation	12,099	4,215	4,028	12,286
Business-type activities capital assets, net	<u>\$ 12,707</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ 13,054</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

    Regular

\$ 9,304

    Other

1,298

Support services:

    Student services

1,711

    Operation and maintenance of plant services

4,435

    Transportation

44,059

60,807

Unallocated depreciation

142,512

Total governmental activities depreciation expense

\$ 203,319

Business-type activities:

    Food service operations

\$ 4,215

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Capital Loan Notes	Total
Balance beginning of year	\$ 120,000	\$ 505,000	\$ 625,000
Additions	8,900,000	-	8,900,000
Reductions	120,000	210,000	330,000
Balance end of year	<u>\$ 8,900,000</u>	<u>\$ 295,000</u>	<u>\$ 9,195,000</u>
Due within one year	<u>\$ 290,000</u>	<u>\$ 220,000</u>	<u>\$ 510,000</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.00 %	\$ 290,000	\$ 396,900	\$ 686,900
2006	4.00	300,000	385,300	685,300
2007	4.50	315,000	373,300	688,300
2008	4.50	330,000	359,126	689,126
2009	4.50	345,000	344,276	689,276
2010	4.50	360,000	328,750	688,750
2011	4.50	375,000	312,550	687,550
2012	4.50	390,000	295,676	685,676
2013	4.50	405,000	278,126	683,126
2014	4.50	425,000	259,900	684,900
2015	4.10	445,000	240,776	685,776
2016	4.20	460,000	222,530	682,530
2017	4.25	480,000	203,210	683,210
2018	4.30	500,000	182,810	682,810
2019	4.40	520,000	161,310	681,310
2020	4.50	540,000	138,430	678,430
2021	4.60	565,000	114,130	679,130
2022	4.70	590,000	88,140	678,140
2023	4.75	620,000	60,410	680,410
2024	4.80	645,000	30,960	675,960
Total		\$ <u>8,900,000</u>	\$ <u>4,776,610</u>	\$ <u>13,676,610</u>

During the year ended June 30, 2004, the District issued \$8,900,000 and retired \$120,000 of bonds.

Capital Loan Notes

Details of the District's June 30, 2004 capital loan notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 220,000	\$ 8,520	\$ 228,520
2006	75,000	1,331	76,331
Total	\$ <u>295,000</u>	\$ <u>9,851</u>	\$ <u>304,851</u>

During the year ended June 30, 2004, the District retired \$210,000 of capital loan notes.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$297,529, \$277,163, and \$270,286 respectively, equal to the required contributions for each year.

Note 7. Risk Management

Mount Vernon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$283,799 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitments

The District entered into a contract totaling \$643,400 for a high school construction architect. At June 30, 2004 \$19,421 of the contract was completed. The remaining amount of the contract will be paid as work on the project progresses.

Note 10. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 10. Accounting Change (continued)

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District’s programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				
	General	Debt Service	Capital Projects	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ 1,494,324	\$ 22,727	\$ 5,995	\$ 307,032	\$ 1,830,078
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$3,060,812					3,206,953
Long-term liabilities:					
Bonds and notes					(625,000)
Accrued interest payable					(2,434)
Deferred revenue					197,054
Net assets, July 1, 2003, as restated					\$ 4,606,651

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## Required Supplementary Information

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Funds Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 3,828,778	\$ 334,008	\$ 4,162,786	\$ 3,977,908	\$ 3,977,908	\$ 184,878
State sources	4,227,033	5,166	4,232,199	4,415,731	4,415,731	(183,532)
Federal sources	142,292	97,741	240,033	169,529	169,529	70,504
Total revenues	8,198,103	436,915	8,635,018	8,563,168	8,563,168	71,850
<b>EXPENDITURES:</b>						
Instruction	5,335,853	-	5,335,853	5,209,646	5,449,522	113,669
Support services	2,232,650	-	2,232,650	2,283,181	2,328,992	96,342
Non-instructional programs	705	457,228	457,933	370,375	443,063	(14,870)
Other expenditures	686,882	-	686,882	711,012	711,012	24,130
Total expenditures	8,256,090	457,228	8,713,318	8,574,214	8,932,589	219,271
Excess (deficiency) of revenues over (under) expenditures	(57,987)	(20,313)	(78,300)	(11,046)	(369,421)	291,121
Other financing sources, net	9,010,672	-	9,010,672	200	200	9,010,472
Excess (deficiency) of revenues and other financing sources over (under) expenditures	8,952,685	(20,313)	8,932,372	(10,846)	(369,221)	9,301,593
Balance beginning of year	1,830,078	80,120	1,910,198	1,767,968	1,767,968	142,230
Balance end of year	<u>\$ 10,782,763</u>	<u>\$ 59,807</u>	<u>\$ 10,842,570</u>	<u>\$ 1,757,122</u>	<u>\$ 1,398,747</u>	<u>\$ 9,443,823</u>

See accompanying independent auditor's report.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$358,375.

During the year ended June 30, 2004, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

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## Other Supplementary Information

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 67,220	\$ 44,675	\$ 297,411	\$ 409,306
Receivables:				
Property tax:				
Current year	718	-	2,338	3,056
Succeeding year	80,175	-	260,171	340,346
Total assets	<u>\$ 148,113</u>	<u>\$ 44,675</u>	<u>\$ 559,920</u>	<u>\$ 752,708</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 80,175	\$ -	\$ 260,171	\$ 340,346
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	67,938	44,675	299,749	412,362
Total liabilities and fund equity	<u>\$ 148,113</u>	<u>\$ 44,675</u>	<u>\$ 559,920</u>	<u>\$ 752,708</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Physical	
	Levy	Activity	Plant and	
			Equipment	Total
			Levy	
Revenues:				
Local sources:				
Local tax	\$ 87,940	\$ -	\$ 289,988	\$ 377,928
Other	507	296,715	6,566	303,788
State sources	64	-	182	246
Total revenues	88,511	296,715	296,736	681,962
Expenditures:				
Current:				
Instruction:				
Regular instruction	18,864	-	-	18,864
Other instruction	-	292,990	-	292,990
Support services:				
Student services	841	-	-	841
Instructional staff services	779	-	-	779
Administration services	7,928	-	-	7,928
Operation and maintenance of				
plant services	36,693	-	-	36,693
Transportation services	12,544	-	-	12,544
Non instructional programs	705	-	-	705
Total expenditures	78,354	292,990	-	371,344
Excess of revenues over expenditures	10,157	3,725	296,736	310,618
Other financing sources (uses):				
Interfund transfers in	-	-	20,776	20,776
Interfund transfers out	-	-	(226,064)	(226,064)
Total other financing sources (uses)	-	-	(205,288)	(205,288)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 10,157	\$ 3,725	\$ 91,448	\$ 105,330
Fund balances beginning of year	57,781	40,950	208,301	307,032
Fund balances end of year	<u>\$ 67,938</u>	<u>\$ 44,675</u>	<u>\$ 299,749</u>	<u>\$ 412,362</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Fund/Interest	\$ 798	\$ 48	\$ -	\$ 846
Strings	-	1,128	1,128	-
Drama & Speech	585	5,760	6,344	1
New York Trip	-	40,762	40,761	1
Vocal	5,382	1,794	2,977	4,199
Instrumental	-	5,533	5,530	3
Miscellaneous Athletics	-	25,450	25,420	30
Cross Country Co-Ed	2	2,525	2,526	1
Tennis Co-Ed	-	1,520	1,519	1
Boys Basketball	231	6,107	6,337	1
Boys Football	-	32,992	32,991	1
Boys Soccer	-	4,746	4,745	1
Boys Baseball	-	10,513	10,348	165
Boys Track	13	5,367	5,379	1
Boys Golf	7	682	689	-
Boys Wrestling	-	14,104	14,104	-
Girls Basketball	382	8,415	8,772	25
Girls Volleyball	836	14,003	13,840	999
Girls Soccer	-	3,265	3,264	1
Girls Softball	-	7,788	7,692	96
Girls Track	25	3,745	3,769	1
Student Pop and Juice	-	3,472	3,472	-
Art	332	1,898	1,543	687
Building Club	2,079	3,751	4,107	1,723
Industrial Arts Projects	-	7	-	7
Class Pictures	1,042	924	799	1,167
Uniform/Robe Rental	2,199	1,036	519	2,716
Recreation Association	765	-	-	765
Enact	23	-	-	23
Academic Decathlon	149	-	108	41
Student Council	397	4,994	4,500	891
Chess Club	351	-	-	351
Annual	8,083	17,378	13,936	11,525
Class of 2000	1	-	-	1
Class of 2001	683	-	-	683
Class of 2002	155	-	-	155
Class of 2003	592	-	-	592
Class of 2004	529	-	289	240
Class of 2005	2,213	724	2,095	842
Class of 2006	29	5,056	3,360	1,725
Cheerleading	417	3,661	4,077	1

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Dance Group	\$ -	\$ 1,997	\$ 1,997	\$ -
Athletic Resale	-	818	818	-
Activity Fees	230	(189)	40	1
Scholarship Fund	99	900	900	99
German Trip	1,595	11,452	13,009	38
Spanish Trip	(391)	4,634	2,921	1,322
H.S. Special Fees	1,216	3,934	3,312	1,838
Library	535	101	-	636
Mathcounts	270	-	-	270
Instrumental	-	739	739	-
Boys Basketball	3	2,162	2,164	1
Boys Football	1	1,142	1,143	-
Boys Track	1	667	667	1
Boys Wrestling	-	1,074	1,074	-
Girls Basketball	1	1,091	1,091	1
Girls Volleyball	-	2,054	2,054	-
Girls Softball	-	341	341	-
Girls Track	-	699	699	-
Class Pictures	3,160	1,423	1,398	3,185
8th Grade Musical	1,904	640	605	1,939
Strings - Middle School	-	19	18	1
Student Council	1,292	9,718	10,343	667
Annual	733	2,757	3,111	379
Activity Fees	186	(186)	-	-
Middle School Special Fees	541	253	302	492
Class Picture - Elementary	(318)	5,242	2,139	2,785
Strings - Elementary	57	(52)	-	5
We Tap	50	1,025	1,025	50
Activity Fees	219	(208)	-	11
Field Trips	-	2,209	2,209	-
Foundation Grant	19	-	-	19
Birthday Books	1,247	1,111	1,931	427
Total	\$ 40,950	\$ 296,715	\$ 292,990	\$ 44,675

See accompanying independent auditor's report.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>2,917</u>	\$ <u>2,328</u>	\$ <u>2,716</u>	\$ <u>2,529</u>
Liabilities				
Other payables	\$ <u>2,917</u>	\$ <u>2,328</u>	\$ <u>2,716</u>	\$ <u>2,529</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,540,909	\$ 2,436,379	\$ 2,346,459	\$ 1,946,367
Tuition	884,941	822,399	724,722	709,857
Other	402,928	314,684	272,873	315,479
State sources	4,227,033	4,405,764	4,202,054	4,170,036
Federal sources	142,292	130,204	76,441	58,574
Total revenues	<u>\$ 8,198,103</u>	<u>\$ 8,109,430</u>	<u>\$ 7,622,549</u>	<u>\$ 7,200,313</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,689,273	\$ 3,541,680	\$ 3,443,061	\$ 3,211,060
Special instruction	990,017	831,728	769,734	685,335
Other instruction	656,563	582,921	598,604	600,643
Support services:				
Student services	168,382	179,519	176,197	166,225
Instructional staff services	271,406	223,854	207,921	204,869
Administration services	744,773	779,821	722,579	676,760
Operation and maintenance of plant services	653,278	645,050	595,513	581,306
Transportation services	394,811	321,859	331,697	321,171
Non-instructional programs	705	618	401	1,183
Other expenditures:				
Facilities acquisition	51,079	30,236	897,709	38,950
Long-term debt:				
Principal	330,000	305,000	110,000	105,000
Interest and fiscal charges	22,004	42,529	16,235	20,855
AEA flowthrough	283,799	305,040	296,273	297,036
Total expenditures	<u>\$ 8,256,090</u>	<u>\$ 7,789,855</u>	<u>\$ 8,165,924</u>	<u>\$ 6,910,393</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Mount Vernon Community School District:

We have audited the financial statements of Mount Vernon Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 11, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mount Vernon Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Mount Vernon Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Vernon Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04 and I-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Vernon Community School District and other parties to whom Mount Vernon Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Vernon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
August 11, 2004

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliation and the posting of the cash receipts journal, check signing, payroll and payroll reports are all done by the same person in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

- I-B-04 Gate Admissions - The gate admissions and change box are not always reconciled with prenumbered tickets. Prenumbered tickets are only used for certain events.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – Most students and parents purchase season activity tickets. The amount of cash taken in at each event is minimal for those events where prenumbered tickets were not used. We feel our gate receipt procedures in place at these events are adequate.

Conclusion – Response acknowledged, however, the added control of reconciling prenumbered tickets with cash collected could be considered an additional safeguard.

- I-C-04 Student Activity Accounts – The District included accounts in the Special Revenue, Student Activity Fund which include activities that would more appropriately be accounted for in the General, Private Purpose Trust, or Enterprise Fund.

The Iowa Department of Education's Uniform Administrative Procedures for Iowa School Officials Chapter 7, page 77, states "The Student Activity Fund shall not be used as a clearing account for the General Fund or any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents or sales, textbook/library book purchases, curricular activities, or any other revenues or expenditures more properly included in another fund. The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extra-curricular activities offered as a part of the education program for the students."

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-04 Student Activity Accounts (continued)

Recommendation – The accounts should be closed to the General, Private Purpose Trust, or Enterprise Fund where applicable. The District should limit the use of the Student Activity Fund to transactions related to co-curricular and extra-curricular activities.

Response – We will close these accounts and account for the activities within the General, Private Purpose Trust, or Enterprise Fund as appropriate.

Conclusion – Response accepted.

I-D-04 Disbursements – Out of forty disbursements tested, five were only partially supported by an invoice or receipt. In addition, one disbursement was made for an amount higher than the invoice. These were mainly items for travel, lodging, and meal expenses. Upon further follow up, no questionable expenditures were noted.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation at the time of their payment.

Response – We will make sure that all future disbursements are properly supported prior to their being paid.

Conclusion – Response accepted.

I-E-04 Payroll Records – Out of ten employees tested for payroll, six did not have a completed W-4 on file.

Recommendation – All employees should have a completed W-4 on file.

Response – All employees are required to complete Form W-4. However, these forms are stored by date of hire and are not easily obtainable. We will have all employees complete a new W-4 and store them in a central location.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Expenditures for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs functional area.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – We will amend our budget before expenditures exceed the budget.
- Conclusion – Response accepted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-04 Issuance of 1099s – We noted a vendor who should have been issued a 1099 form for payments during the year but was not issued one.
- Recommendation – The District should issue a 1099 to any unincorporated vendor who receives payments of \$600 or more in a year as required by the Internal Revenue Service.
- Response – We will work on improving our system for issuing 1099s.
- Conclusion – Response accepted.

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